iWOW TECHNOLOGY LIMITED
Company Registration No. 199905973K
(Incorporated in the Republic of Singapore)

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 26 JULY 2024

The Board of Directors (the "**Board**") of iWOW Technology Limited (the "**Company**", and together with its subsidiaries, the "**Group**" or "**iWOW**") refers to the Notice ("**Notice**") of Annual General Meeting ("**AGM**") dated 11 July 2024 in relation to the Company's AGM to be held on Friday, 26 July 2024 at 2:00 p.m..

As set out in the Notice of AGM, the Company will endeavour to address substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM, that are submitted to the Company no later than 5:00 p.m. on Thursday, 18 July 2024 by Sunday, 21 July 2024.

The Company would like to thank shareholders and/or the Securities Investors Association (Singapore) ("**SIAS**") for submitting their questions in advance of the AGM. The responses to the questions received are set out in the Appendix to this announcement.

By Order of the Board

Bo Jiang Chek Raymond
Chief Executive Officer and Executive Director
19 July 2024

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Question 1 (SIAS):
For the financial year ended 31 March 2024, the group recognised a record revenue of $46.4 million, surpassing revenue in the TraceTogether Token project years. Having acquired ROOTS Communications, the group has three main business segments, namely Smart City Solutions (“**SCS**”), IoT-as-a-Service (“**IaaS**”) and Smart City Infrastructure (“**SCI**”).

However, net profit for the year was lower at $2.8 million (FY2023: $3.6 million) due to lower-margin projects as well as higher manpower-related costs.

(1i) Can management elaborate on the group’s pricing power for its products and services?

The group’s products, such as VAnGuard, wrist tags (“**EMS**”), and Alarm Alert System (“**AAS**”)/Buddy of Parents (“**BOP**”), appear to have limited market potential or appeal to very selected customers.

(1ii) Considering the specialised nature of the group’s projects, how challenging is it to achieve premium profit margins, especially for services and products targeted at a limited customer base?

(1iii) What strategies does the group have in place to expand the market potential for niche products such as VAnGuard, EMS, and AAS/BOP?

(1iv) How is the board ensuring that management's strategic initiatives align with the objective of achieving returns that justify the group's risk and investment?

Company’s Response:

<table>
<tr><td>(1i)
&
(1ii)</td><td>The Group’s products and services can be broadly categorized as proprietary and non-proprietary. The Group will have greater discretion over the pricing power for its proprietary offerings like EMS, AAS and BOP, as compared to non-proprietary products and services.

The Group has consistently invest in R&D to stay ahead of competition. While achieving premium profit margins for proprietary products is less challenging, the Group may partially forego some of these premium profit margins to secure market dominance. This approach will allow the Group to gradually improve its profitability over time with scale, while delivering bespoke solutions and value to its customers.

Considering our strategies to maximise the local market potential of our products (as detailed in 1iii below) and the potential demand for our services and products beyond Singapore, we do not share the view that we have a limited customer base.</td></tr>
<tr><td>(1iii)</td><td>The Group has implemented product development roadmaps for its proprietary solutions such as EMS and AAS/BOP. This structured approach has helped manage investment risks in R&D through phased development.

The initial focus will be on maximising market potential locally and once the solutions mature, the strategy will extend to pursuing regional markets, as well as other use-cases for the established technology.

Plans to maximise market potential in primary market include:

(a) <u>Deployment of the Electronic Monitoring Wrist Tags</u>
The new wrist tags, which are more discreet as compared to the ankle tags, will enable the Singapore Prison Services to extend the EMS deployment to segments that are more sensitive to stigma (e.g. youth-at-risk);</td></tr>
</table>

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Company's Response (cont'd):

<table>
<tr><td>(1iii)</td><td>Plans to maximise market potential in primary market include (cont'd):

(b) <u>Expanding the market for AAS and BOP</u>
Our silver generation solutions were developed to directly address the challenges posed by an aging population. Singapore, one of the fastest-aging nations globally, will see 1 in 4 citizens aged 65 and above by 2030. This demographic shift represents a profound social transformation. Currently, Singapore is home to approximately 1 million seniors, and this aging trend is not unique to our nation but is a global phenomenon.

Given the limited availability of nursing home beds, governments worldwide are turning to technology to enable seniors to age safely at home and our products and services are well positioned to facilitate this objective.

As the enhanced version of our AAS solution, the introduction of BOP will enable iWOW to offer the solution to the broader Singapore consumer market, beyond the current rental flats community. We will also continue to pursue opportunities for AAS as they arise.

VAnGuard, a 3rd party Video Analytics solution, enhances our suite of offerings. Although the Video Analytics solution is not anticipated to be a key product in near term, the Group is exploring its potential in various other settings and use-cases.</td></tr>
<tr><td>(1iv)</td><td>The Board actively evaluates management's strategic initiatives, including mergers and acquisition initiatives and expansion of research and development capabilities, as part of the Group's robust governance practice.

These strategic initiatives are approved only if they align with the Group's expansion plans and if the anticipated long-term returns justify the investments and risks taken to promote sustained growth and enhance shareholder value.

Additionally, the Non-Executive Chairman provides further oversight through regular discussions with the CEO regarding the Group's progress and developments.</td></tr>
</table>

Question 2 (SIAS):
Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

(2i) Why did salaries and bonuses increase from $3.96 million to $10.26 million in FY2024 (Note 6 Employee benefits expense)? Is this increase attributable to the acquisition of ROOTS, and if so, is this the expected normalised level of employee benefits expense going forward?

(2ii) Can management provide a detailed breakdown of "Other operating expenses," which increased from $3.5 million to $11.1 million?

(2iii) Can management identify which specific projects led to the substantial increase in sub-contracting costs from $1.99 million to $8.86 million in FY2024? What measures are being implemented to manage and control these costs effectively?

(2iv) As shown in Note 31 Capital management policies and objectives (page 136), management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as the sum of borrowing, lease liabilities, trade payables and other payables (excluding contingent consideration), contract liabilities, less cash and cash equivalents.

Given the group's involvement in projects that require significant working capital tied to contract assets and milestones, how does the board ensure effective monitoring and management of the gearing ratio? What strategies are in place to optimise working capital management and mitigate associated risks?

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Company's Response:

<table>
<tr><td>(2i)</td><td>Yes, the increase is mainly attributable to the acquisition of ROOTS and this will be the normalized level of employee benefits expense going forward.

For reference, the Group employed 163 full time employees as of the end of FY2024, compared to just 63 full time employees (excluding ROOTS) as of the end of FY2023.</td></tr>
<tr><td>(2ii) & (2iii)</td><td>A detailed breakdown of "Other operating expenses" is set out as below:

<table>
<tr><td>(S$ million)</td><td>FY2024</td><td>FY2023</td></tr>
<tr><td>Sub-contracting Costs</td><td>8.9</td><td>2.0</td></tr>
<tr><td>Other Cost of Sales</td><td>0.7</td><td>0.6</td></tr>
<tr><td>General & Admin Expenses</td><td>1.5</td><td>0.9</td></tr>
<tr><td>Other Operating Expenses</td><td>11.1</td><td>3.5</td></tr>
</table>

The increase in sub-contracting costs can mainly be attributable to contribution from ROOTS, and notably in relation to the S$20.0 million Smart City Infrastructure project as announced on 21 July 2023 ("SCI Project").

To effectively manage manpower costs, the Group adopts a strategic initiative of maintaining a lean workforce and leveraging on sub-contractors to handle projects, especially periodic large-scale projects. This approach aims to minimise overhead costs associated with the need to maintain a larger workforce / having excess capacity during slower / lull periods, while ensuring scalability and agility to meet resource demand surges efficiently.</td></tr>
<tr><td>(2iv)</td><td>For large-scale projects especially, management performs a gap analysis to determine the financing gaps at the tender stage and where possible, negotiate favorable credit terms in consideration of the billing milestones, with key vendor partners.

For instance, the key vendor for the SCI Project agreed to credit terms which were synchronised with the billing milestones. While this arrangement increased the Group's FY2024 gearing ratio, as the project's cumulated trade payables with the key vendor were due subsequent to the conversion of the corresponding contract assets, risks associated with working capital management were minimised.

Separately, while strategically maintaining a lean workforce, the Group's experienced project teams collaborates with established long term sub-contractor partners to ensure punctual milestone deliveries. This minimises the risk of delays in milestone and billings, thereby optimising working capital management.</td></tr>
</table>

Question 3 (SIAS):
The group acquired ROOTS Communications Pte. Ltd. for a consideration of up to $18 million. The first payment to the vendors of $8.1 million consisted of $4.86 million in cash and $3.24 million in shares of the company. Contingent on the performance of ROOTS from 1 April 2023 to 31 March 2026, the company has to pay up to $9.9 million, of which $5.94 million is to be paid in cash and the balance in shares.

(3i) Can management help shareholders better understand the synergies between ROOTS and the iWOW, given that ROOTS' core expertise is in network infrastructure?

(3ii) Is management able to quantify the synergies realised following the successful acquisition and integration of ROOTS Communications?

(3iii) The DES segment reported external revenue of $11.2 million and a segment result of $(78,000) in FY2024. What specific challenges are being faced in the DES segment, and what strategic initiatives is management planning to address these challenges and drive profitability?

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Question 3 (SIAS)(Cont'd):

(3iv) The financial statements show $1.9 million in contingent consideration under Other payables. Can management provide detailed insights into the calculation and criteria used to determine this contingent consideration? Is there a potential that a further sum of $8 million in contingent consideration may be added to the group's liabilities?

(3v) Is the group still on the lookout for other mergers and acquisitions? If so, how is it conducting its search?

Company's Response:

<table>
<tr><td>(3i)</td><td>Besides serving telcos, ROOTS Communications Group ("ROOTS") specialises in providing network solutions to enterprise clients and the public sector. Notably, ROOTS is a ME04 (Communication & Security Systems) L6 grading registered contractor with the Building and Construction Authority.

The acquisition better positions iWOW to capitalise on the digitalisation megatrend, which include:

(a) <u>Enhanced Credibility and Tendering Capabilty</u>
Our combine portfolio, capabilities and credentials are anticipated to strengthen the Group's competitive edge, particularly for large-scale Singapore Government Smart Nation projects.

This will also allow us to pursue opportunities which were out of reach prior to the acquisition;

(b) <u>Expanded Customer Base and Cross-selling Opportunities</u>
Leveraging ROOTS' enterprise customer base in commercial malls, education institutions and commercial buildings for cross-selling iWOW's IoT and smart metering solutions. Reciprocal opportunities to cross-sell ROOTS' solutions to iWOW's customer base are also anticipated; and

(c) <u>Regional Expansion and Market Access</u>
Leveraging ROOTS' established presence in Malaysia as a platform to accelerate the introduction of iWOW's solutions to the neighbouring market and utilising iWOW's network to expand ROOTS' business in the region.</td></tr>
<tr><td>(3ii)</td><td>While it's premature to quantify the synergies from the acquisition at this juncture, we have actively engaged in tenders and proposals with both existing and new clients as we integrate our business development functions. Concurrently, we have been prospecting regional opportunities together and will provide updates when there are material developments.</td></tr>
<tr><td>(3iii)</td><td>The Company would like to clarify that the DES Business Division was profitable, as its transactions were segregated into the following segments for reporting purposes:
(a) the "DES" segment; and
(b) the "Trading" segment, which included trading sales for Datacomm products, as disclosed in the Annual Report's Financial Review – Revenue for Trading and Others (Page 14).

Despite its profitability, challenges faced by the DES Business Division include high customer acquisition costs (in terms of time and effort) and a competitive environment for network infrastructure solutions.

To drive profitability, management has undertaken strategic initiatives to bolster the sales team and elevate the company's industry profile within targeted markets such as Healthcare, Education and Commercial sectors, to expedite pipeline and revenue growth.

In addition, management is diversifying the business by expanding into systems solutions, including video analytics, storage and cybersecurity. This strategic move aims to strengthen the business division's growth prospects, increase its customer wallet share and broaden its customer base.</td></tr>
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Company's Response (cont'd):

(3iv)	As disclosed in Note 11 Investments in Subsidiaries (page 112), the Group offered a purchase consideration which is calculated based on six (6) times multiple of the audited annual average consolidated net profit after tax of ROOTS for the period from 1 April 2023 to 31 March 2026 ("**Forward NPAT**"). The S$1.9 million contingent consideration was determined based on an estimated total purchase consideration of S$10.0 million, which equates to a Forward NPAT of approximately S$1.7 million. If ROOTS surpasses the estimated Forward NPAT assumed, the contingent consideration will be adjusted by up to S$8.0 million, in accordance with the formulae disclosed above. Conversely, a lower Forward NPAT below the estimate will result in a downward revision of the contingent consideration. For further details and illustrations on the potential scenarios and the corresponding financial impacts, please refer to the Company's announcement dated 22 December 2022 on the acquisition. Management will revise the contingent consideration accordingly, as visibility and certainty regarding ROOTS' actual Forward NPAT increases.
(3v)	While the Company is not actively seeking M&A targets, it remains receptive to opportunities that align strategically. Following the acquisition of Roots Communications, the Group is currently prioritising its other expansion initiatives as follow: (a) Capitalising on its enhanced R&D capabilities to bolster IoT offerings; (b) Broadening its customer base and product offerings; and (c) Extending our reach beyond Singapore.